

## The Verizon-Cable Cartel: Bad News for Competition

### The Verizon-Cable Deals Severely Weaken Future Prospects for Wireless Competition

- The U.S. wireless market is already highly concentrated, with Verizon and AT&T controlling two-thirds of all subscriptions and four-fifths of the entire wireless industry's profits. Verizon's further consolidation of the most valuable spectrum will enhance its and AT&T's market power, reducing competition and leading to higher prices and less innovation for consumers.
- These deals give Verizon the last nationwide block of highly valuable spectrum that will be available for the foreseeable future. With such a large deficit in spectrum holdings, non-dominant carriers will be unable to challenge the Verizon-AT&T wireless duopoly.
- Verizon admits it has no plans to offer service on these airwaves for years to come. Furthermore, it already possesses substantial "beachfront" mobile broadband spectrum that it has no plans to use. Awarding Verizon these valuable airwaves will only harm competition and encourage spectrum hoarding and speculation instead of efficient network investment.
- These deals and the associated joint marketing agreements ensure that these major cable providers will never emerge as wireless competitors. This is concerning for antitrust authorities, as cable companies are uniquely able to compete with Verizon's and AT&T's "quadruple-play" bundled offerings.

### These Deals Further Cement a Spectrum Duopoly in Violation of DoJ Merger Guidelines

- If these deals are approved, Verizon and AT&T will collectively control nearly 60 percent of broadband spectrum measured by value. Verizon and AT&T already control 80 percent of the "beachfront" mobile broadband spectrum located below 1GHz.
- Under DoJ Merger Guidelines, the spectrum-input market would currently be classified as "moderately concentrated." These guidelines indicate that the Verizon-Cable transaction would increase that concentration to a level raising "significant competitive concerns."

Share of Mobile Broadband Spectrum (Value)		
Carrier	Current	Post-VZ-SpectrumCo./Cox
Verizon	29%	33%
AT&T	25%	25%
Sprint	7%	7%
T-Mobile	10%	10%
MetroPCS	2%	2%
U.S. Cellular	2%	2%
Leap Wireless	2%	2%
Clearwire Corp.	5%	5%
SpectrumCo.	4%	0%
Cox	1%	0%
All Others	14%	14%

### The Cartelization Agreements Raise Major Antitrust Concerns

- These companies that were once competitors will now be selling each other's products and jointly developing new technologies that integrate wired and wireless services. Such arrangements raise serious antitrust concerns. Regulators are generally concerned with exclusivity provisions, how such ventures impact competitive marketing, the impact on potential market entry and the length of time of these joint ventures.
- Congress' plan for competition outlined in the 1996 Telecommunications Act was in part based on the promotion of competition among incumbent phone and cable companies. Indeed, the Telecommunications Act specifically prohibits the mergers of these incumbents due to the inherent antitrust issues. The Verizon-Cable cartel could harm competition by foreclosing rivals from accessing reasonably priced Wi-Fi offloading services, backhaul transport and data-roaming services.

### These Deals Foreclose the Potential for Wireless-Wired Broadband Competition

- The residential broadband market is a stagnant cable-telco duopoly. Next-Generation Wireless is the last remaining potential competitive technology, but these deals remove any likelihood that wireless will become a viable competitive alternative. In fact, with these deals and the associated détente in competition, along with the telcos' declining interest in DSL and fiber technologies, we see the broadband duopoly transforming into a cable-telco monopoly.